

Senate, April 14, 1998. The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY, 11th DIST., Chairman of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ELECTRONIC PAYMENT INSTRUMENTS  
AND CURRENCY AND FOREIGN TRANSACTIONS REPORTING.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. Section 36a-3 of the general
- 2 statutes, as amended by section 2 of public act
- 3 97-160 and section 1 of public act 97-209, is
- 4 repealed and the following is substituted in lieu
- 5 thereof:
- 6 Other definitions applying to this title or
- 7 to specified parts thereof and the sections in
- 8 which they appear are:
- 9 "Account". Sections 36a-155 and 36a-365.
- 10 "Advance fee". Sections 36a-510, 36a-485 and
- 11 36a-615.
- 12 "Agency bank". Section 36a-285.
- 13 "Alternative mortgage loan". Section 36a-265.
- 14 "Amount financed". Section 36a-690.
- 15 "Annual percentage rate". Section 36a-690.
- 16 "Annual percentage yield". Section 36a-316.
- 17 "Applicant". Section 36a-736.
- 18 "Associate". Section 36a-184.
- 19 "Bank". Section 36a-30.
- 20 "Bankers' bank". Section 36a-70.
- 21 "Banking business". Section 36a-425.
- 22 "Billing cycle". Section 36a-565.

23 "Bona fide nonprofit organization". Section  
24 36a-655.  
25 "Branch". Sections 36a-145 and 36a-410.  
26 "Branch or agency net payment entitlement".  
27 Section 1 of [this act] PUBLIC ACT 97-160.  
28 "Branch or agency net payment obligation".  
29 Section 1 of [this act] PUBLIC ACT 97-160.  
30 "Broker". Section 36a-510.  
31 "Business and Industrial Development  
32 Corporation". Section 36a-626.  
33 "Business and property in this state".  
34 Section 1 of [this act] PUBLIC ACT 97-160.  
35 "Cash advance". Section 36a-564.  
36 "Cash price". Section 36a-770.  
37 "Certificate of organization". Section  
38 36a-435.  
39 "Collective managing agency account". Section  
40 36a-365.  
41 "Commercial vehicle". Section 36a-770.  
42 "Community bank". Section 36a-70.  
43 "Community development bank". Section 36a-70.  
44 "Connecticut holding company". Section  
45 36a-410.  
46 "Consumer". Sections 36a-155, 36a-676 and  
47 36a-695.  
48 "Consumer Credit Protection Act". Section  
49 36a-676.  
50 "Consumer debtor" and "debtor". Sections  
51 36a-645 and 36a-800.  
52 "Consumer collection agency". Section  
53 36a-800.  
54 "Controlling interest". Section 36a-276.  
55 "Credit". Sections 36a-645 and 36a-676.  
56 "Creditor". Sections 36a-676, 36a-695 and  
57 36a-800.  
58 "Credit card", "cardholder" and "card  
59 issuer". Section 36a-676.  
60 "Credit clinic". Section 36a-695.  
61 "Credit rating agency". Section 36a-695.  
62 "Credit report". Section 36a-695.  
63 "Credit sale". Section 36a-676.  
64 "De novo branch". Section 36a-410.  
65 "Debt". Section 36a-645.  
66 "Debt adjustment". Section 36a-655.  
67 "Debt mutual fund". Section 36a-275.  
68 "Debt securities". Section 36a-275.  
69 "Deliver". Section 36a-316.  
70 "Deposit". Section 36a-316.

71 "Deposit account". Section 36a-316.  
72 "Deposit account charge". Section 36a-316.  
73 "Deposit account disclosures". Section  
74 36a-316.  
75 "Deposit contract". Section 36a-316.  
76 "Deposit services". Section 36a-425.  
77 "Depositor". Section 36a-316.  
78 "Earning period". Section 36a-316.  
79 "ELECTRONIC PAYMENT INSTRUMENT". SECTION  
80 36a-596, AS AMENDED BY SECTION 3 OF THIS ACT.  
81 "Eligible account holder". Section 36a-136.  
82 "Eligible collateral". Section 36a-330.  
83 "Equity mutual fund". Section 36a-276.  
84 "Federal Home Mortgage Disclosure Act".  
85 Section 36a-736.  
86 "Fiduciary". Section 36a-365.  
87 "Filing fee". Section 36a-770.  
88 "Finance charge". Sections 36a-690 and  
89 36a-770.  
90 "Financial institution". Sections 36a-41,  
91 36a-155, 36a-316, 36a-330 and 36a-736.  
92 "Financial records". Section 36a-41.  
93 "First mortgage loan". Sections 36a-485,  
94 36a-705 and 36a-715.  
95 "Fiscal year". Section 36a-435.  
96 "Foreign banking corporation". Section  
97 36a-425.  
98 "General facility". Section 36a-580.  
99 "Global net payment entitlement". Section 1  
100 of [this act] PUBLIC ACT 97-160.  
101 "Global net payment obligation". Section 1 of  
102 [this act] PUBLIC ACT 97-160.  
103 "Goods". Sections 36a-535 and 36a-770.  
104 "Graduated payment mortgage loan". Section  
105 36a-265.  
106 "Groups having a common bond of occupation or  
107 association". Section 36a-435.  
108 "Guardian". Section 36a-365.  
109 "Holder". Section 36a-596, AS AMENDED BY  
110 SECTION 3 OF THIS ACT.  
111 "Home banking services". Section 36a-170.  
112 "Home banking terminal". Section 36a-170.  
113 "Home improvement loan". Section 36a-736.  
114 "Home purchase loan". Section 36a-736.  
115 "Home state". Section 36a-410.  
116 "Immediate family". Section 36a-435.  
117 "Instalment loan contract". Sections 36a-535  
118 and 36a-770.

119 "Instrument". Section 36a-596, AS AMENDED BY  
120 SECTION 3 OF THIS ACT.  
121 "Insurance bank". Section 36a-285.  
122 "Insurance department". Section 36a-285.  
123 "Interest". Section 36a-316.  
124 "Interest rate". Section 36a-316.  
125 "Lender". Sections 36a-510 and 36a-770.  
126 "Lessor". Section 36a-676.  
127 "License". Section 36a-626.  
128 "Licensee". Sections 36a-510, 36a-596, AS  
129 AMENDED BY SECTION 3 OF THIS ACT and 36a-626.  
130 "Limited branch". Section 36a-145.  
131 "Limited facility". Section 36a-580.  
132 "Loan broker". Section 36a-615.  
133 "Loss". Section 36a-330.  
134 "Made in this state". Section 36a-770.  
135 "Managing agent". Section 36a-365.  
136 "Member". Section 36a-435.  
137 "Membership share". Section 36a-435.  
138 "Money order". Section 36a-596, AS AMENDED BY  
139 SECTION 3 OF THIS ACT.  
140 "Mortgage broker". Section 36a-485.  
141 "Mortgage insurance". Section 36a-725.  
142 "Mortgage lender". Sections 36a-485 and  
143 36a-705.  
144 "Mortgage loan". Sections 36a-261 and  
145 36a-265.  
146 "Mortgage rate lock-in". Section 36a-705.  
147 "Mortgage servicing company". Section  
148 36a-715.  
149 "Mortgagor". Section 36a-715.  
150 "Motor vehicle". Section 36a-770.  
151 "Municipality". Section 36a-800.  
152 "Net worth". Section 36a-596, AS AMENDED BY  
153 SECTION 3 OF THIS ACT.  
154 "Network". Section 36a-155.  
155 "Note account". Sections 36a-301 and 36a-445.  
156 "Office". Section 36a-316.  
157 "Open-end credit plan". Section 36a-676.  
158 "Open-end loan". Section 36a-565.  
159 "Organization". Section 36a-800.  
160 "Out-of-state holding company". Section  
161 36a-410.  
162 "Outstanding". Section 36a-596, AS AMENDED BY  
163 SECTION 3 OF THIS ACT.  
164 "Passbook savings account". Section 36a-316.  
165 "Periodic statement". Section 36a-316.

166 "Permissible investment". Section 36a-596, AS  
167 AMENDED BY SECTION 3 OF THIS ACT.  
168 "Person". Section 36a-184.  
169 "Post". Section 36a-316.  
170 "Prime quality". Section 36a-596, AS AMENDED  
171 BY SECTION 3 OF THIS ACT.  
172 "Principal amount of the loan". Section  
173 36a-510.  
174 "Principal officer". Section 36a-485.  
175 "Processor". Section 36a-155.  
176 "Public deposit". Section 36a-330.  
177 "Purchaser". Section 36a-596, AS AMENDED BY  
178 SECTION 3 OF THIS ACT.  
179 "Qualified financial contract". Section 1 of  
180 [this act] PUBLIC ACT 97-160.  
181 "Qualified public depository" and  
182 "depository". Section 36a-330.  
183 "Records". Section 36a-17.  
184 "Relocate". Section 36a-145.  
185 "Residential property". Section 36a-485.  
186 "Retail buyer". Sections 36a-535 and 36a-770.  
187 "Retail credit transaction". Section 42-100b.  
188 "Retail instalment contract". Sections  
189 36a-535 and 36a-770.  
190 "Retail instalment sale". Sections 36a-535  
191 and 36a-770.  
192 "Retail seller". Sections 36a-535 and  
193 36a-770.  
194 "Reverse annuity mortgage loan". Section  
195 36a-265.  
196 "Sales finance company". Sections 36a-535 and  
197 36a-770.  
198 "Savings department". Section 36a-285.  
199 "Savings deposit". Section 36a-316.  
200 "Secondary mortgage loan". Section 36a-510.  
201 "Security convertible into a voting  
202 security". Section 36a-184.  
203 "Share". Section 36a-435.  
204 "Social purpose investment". Section 36a-277.  
205 "Standard mortgage loan". Section 36a-265.  
206 "Tax and loan account". Sections 36a-301 and  
207 36a-445.  
208 "The Savings Bank Life Insurance Company".  
209 Section 36a-285.  
210 "Time account". Section 36a-316.  
211 "Transaction". Section 36a-215.  
212 "Travelers check". Section 36a-596, AS  
213 AMENDED BY SECTION 3 OF THIS ACT.

214 "Troubled financial institution". Section  
215 36a-215.

216 "Unsecured loan". Section 36a-615.

217 Sec. 2. Section 36a-586 of the general  
218 statutes is repealed and the following is  
219 substituted in lieu thereof:

220 (a) Each check cashing licensee shall use and  
221 maintain at a general facility in this state, in  
222 the form satisfactory to the commissioner, such  
223 books, records and accounts as will enable the  
224 commissioner to determine whether the licensee is  
225 complying with the provisions of sections 36a-580  
226 to 36a-589, inclusive. Each licensee shall retain  
227 such books, records and accounts for not less than  
228 the periods of time specified in regulations  
229 adopted by the commissioner in accordance with  
230 section 36a-588.

231 (b) Before a licensee deposits with any  
232 financial institution a check, draft or money  
233 order cashed by such licensee, the item shall be  
234 endorsed with the actual name under which the  
235 licensee is doing business and must have the words  
236 "licensed check cashing service" legibly written  
237 or stamped immediately after or below such name.

238 (c) EACH CHECK CASHING LICENSEE SHALL COMPLY  
239 WITH THE APPLICABLE PROVISIONS OF THE CURRENCY AND  
240 FOREIGN TRANSACTIONS REPORTING ACT, 31 USC SECTION  
241 5311 ET SEQ., AS FROM TIME TO TIME AMENDED, AND  
242 ANY REGULATIONS ADOPTED UNDER SUCH PROVISIONS, AS  
243 FROM TIME TO TIME AMENDED.

244 Sec. 3. Section 36a-596 of the general  
245 statutes is repealed and the following is  
246 substituted in lieu thereof:

247 As used in sections 36a-595 to 36a-610,  
248 inclusive, AS AMENDED BY THIS ACT:

249 (1) "ELECTRONIC PAYMENT INSTRUMENT" MEANS A  
250 CARD OR OTHER TANGIBLE OBJECT FOR THE TRANSMISSION  
251 OR PAYMENT OF MONEY WHICH CONTAINS A  
252 MICROPROCESSOR CHIP, MAGNETIC STRIPE, OR OTHER  
253 MEANS FOR THE STORAGE OF INFORMATION, THAT IS  
254 PREREFUNDED AND FOR WHICH THE VALUE IS DECREMENTED  
255 UPON EACH USE, BUT DOES NOT INCLUDE A CARD OR  
256 OTHER TANGIBLE OBJECT THAT IS REDEEMABLE BY THE  
257 ISSUER IN THE ISSUER'S GOODS OR SERVICES.

258 [(1)] (2) "Holder" means a person, other than  
259 a purchaser, who is either in possession of a  
260 Connecticut instrument and is the named payee  
261 thereon or in possession of a Connecticut

262 instrument issued or endorsed to him or bearer or  
263 in blank. "Holder" does not include any person who  
264 is in possession of a lost, stolen or forged  
265 Connecticut instrument.

266 [(2)] (3) "Instrument" means a money order,  
267 [or] travelers check OR ELECTRONIC PAYMENT  
268 INSTRUMENT that evidences either an obligation for  
269 the transmission or payment of money, or the  
270 purchase or the deposit of funds for the purchase  
271 of such money order, [or] travelers check OR  
272 ELECTRONIC PAYMENT INSTRUMENT. An instrument is a  
273 "Connecticut instrument" if it is sold in this  
274 state.

275 [(3)] (4) "Licensee" means any person  
276 licensed pursuant to sections 36a-595 to 36a-610,  
277 inclusive, AS AMENDED BY THIS ACT.

278 [(4)] (5) "Money order" means any check,  
279 draft, money order or other instrument for the  
280 transmission or payment of money. "Money order"  
281 does not include a travelers check OR ELECTRONIC  
282 PAYMENT INSTRUMENT.

283 [(5)] (6) "Net worth" means the excess of  
284 assets over liabilities as determined by generally  
285 accepted accounting principles.

286 [(6)] (7) A money order, [or] travelers check  
287 OR ELECTRONIC PAYMENT INSTRUMENT is "outstanding"  
288 if: (A) It is sold in the United States; (B) a  
289 report of it has been received by a licensee from  
290 its agents or subagents; and (C) it has not yet  
291 been paid BY THE ISSUER.

292 [(7)] (8) "Permissible investment" means: (A)  
293 Cash in United States currency; (B) time deposits,  
294 as defined in subdivision (62) of section 36a-2,  
295 AS AMENDED, or other debt instruments of a bank;  
296 (C) bills of exchange or bankers acceptances which  
297 are eligible for purchase by member banks of the  
298 Federal Reserve System; (D) commercial paper of  
299 prime quality; (E) interest-bearing bills, notes,  
300 bonds, debentures or other obligations issued or  
301 guaranteed by: (i) The United States or any of its  
302 agencies or instrumentalities, or (ii) any state,  
303 or any agency, instrumentality, political  
304 subdivision, school district or legally  
305 constituted authority of any state if such  
306 investment is of prime quality; (F)  
307 interest-bearing bills or notes, or bonds,  
308 debentures or preferred stocks, traded on any  
309 national securities exchange or on a national

310 over-the-counter market, if such debt or equity  
311 investments are of prime quality; (G) receivables  
312 due from selling agents consisting of the proceeds  
313 of the sale of instruments which are not past due  
314 or doubtful of collection; (H) gold; and (I) any  
315 other investments approved by the commissioner.  
316 Notwithstanding the provisions of this  
317 subdivision, if the commissioner at any time finds  
318 that an investment of a licensee is unsatisfactory  
319 for investment purposes, the investment shall not  
320 qualify as a permissible investment.

321 [(8)] (9) An investment is of "prime quality"  
322 if it is within the top four rating categories in  
323 any rating service recognized by the commissioner  
324 unless the commissioner determines for any  
325 licensee that only those investments in the top  
326 three rating categories qualify as "prime  
327 quality".

328 [(9)] (10) "Purchaser" means a person who  
329 buys or has bought a Connecticut instrument.

330 [(10)] (11) "Travelers check" means an  
331 instrument for the payment of money that contains  
332 a provision for a specimen signature of the  
333 purchaser to be completed at the time of a  
334 purchase of the instrument and a provision for a  
335 countersignature of the purchaser to be completed  
336 at the time of negotiation.

337 Sec. 4. Section 36a-598 of the general  
338 statutes is repealed and the following is  
339 substituted in lieu thereof:

340 Each application for an original or renewal  
341 license required under sections 36a-595 to  
342 36a-610, inclusive, AS AMENDED BY THIS ACT, shall  
343 be made in writing and under oath to the  
344 commissioner in such form as the commissioner may  
345 prescribe. The application shall state:

346 (1) The exact name of the applicant and, if  
347 incorporated, the date of incorporation and the  
348 state where incorporated;

349 (2) The complete address of the principal  
350 office from which the business is to be conducted,  
351 and of the office where the books and records of  
352 the applicant are maintained and to be maintained,  
353 including the street and number, if any, and the  
354 municipality and county of such offices;

355 (3) The complete name and address of each of  
356 the applicant's branches, subsidiaries, affiliates  
357 and agents and subagents, if any, engaging in this



358 state in the business of selling or issuing  
359 Connecticut instruments, or of receiving money for  
360 transmitting the same;

361 (4) The name, title, address and telephone  
362 number of the person to whom notice of the  
363 commissioner's approval or disapproval of the  
364 application shall be sent and to whom any  
365 inquiries by the commissioner concerning the  
366 application shall be directed;

367 (5) The name and residence address (A) of the  
368 applicant, if an individual; (B) if a partnership,  
369 of its partners; or (C) if a corporation or  
370 association, of its directors, trustees, principal  
371 officers, and any shareholder owning twenty per  
372 cent or more of each class of its stock;

373 (6) The most recently audited unconsolidated  
374 financial statement of the applicant, including  
375 its balance sheet and receipts and disbursements  
376 for the preceding year, prepared by an independent  
377 certified public accountant acceptable to the  
378 commissioner;

379 (7) A list of the applicant's permissible  
380 investments, the book and market values of such  
381 investments, and the dollar amount of the  
382 applicant's aggregate outstanding instruments (A)  
383 as of the date of the financial statement filed in  
384 accordance with subsection (6) of this section;  
385 and (B) as of a date no earlier than thirty  
386 business days prior to the filing of the  
387 application;

388 (8) (A) The surety bond required by  
389 subsection (a) of section 36a-602, AS AMENDED BY  
390 SECTION 6 OF THIS ACT, if applicable;

391 (B) A list of the investments maintained in  
392 accordance with subsection (b) of section 36a-602,  
393 AS AMENDED BY SECTION 6 OF THIS ACT, if  
394 applicable, and the book and market values of any  
395 such investments (i) as of the date of the  
396 financial statement filed in accordance with  
397 subdivision (6) of this section; and (ii) as of a  
398 date no earlier than thirty business days prior to  
399 the filing of the application.

400 (C) The commissioner may defer compliance  
401 with the provisions of this subsection until after  
402 the commissioner rules on the application, but the  
403 commissioner shall not issue a license until an  
404 applicant complies with the provisions of this  
405 subdivision;

406 (9) A statement of whether the applicant will  
407 engage in the money order, [or] travelers check OR  
408 ELECTRONIC PAYMENT INSTRUMENT business, or [both]  
409 ANY TWO OR ALL OF SUCH BUSINESSES, in this state;  
410 (10) Any other information the commissioner  
411 may require.

412 Sec. 5. Subsection (a) of section 36a-599 of  
413 the general statutes is repealed and the following  
414 is substituted in lieu thereof:

415 (a) Each application for an original or  
416 renewal license shall be accompanied by A  
417 NONREFUNDABLE INVESTIGATION FEE OF FIVE HUNDRED  
418 DOLLARS AND a license fee of one thousand dollars.  
419 The license fee shall be refunded if the  
420 application is denied or is withdrawn prior to  
421 issuance of a license by the commissioner.

422 Sec. 6. Section 36a-602 of the general  
423 statutes is repealed and the following is  
424 substituted in lieu thereof:

425 (a) As a condition for the issuance and  
426 retention of the license, applicants for a license  
427 and licensees shall file with the commissioner a  
428 corporate surety bond in a form satisfactory to  
429 the commissioner and issued by a bonding company  
430 or insurance company authorized to do business in  
431 this state. The bond shall be in favor of the  
432 commissioner, SHALL REMAIN IN PLACE FOR FIVE YEARS  
433 AFTER SUCH LICENSEE CEASES TO ENGAGE IN BUSINESS  
434 IN THIS STATE, and SHALL BE in the principal sum  
435 of (1) three hundred thousand dollars for any  
436 applicant and any licensee THAT ENGAGES IN THE  
437 BUSINESS OF ISSUING CONNECTICUT INSTRUMENTS with  
438 an average daily balance of outstanding  
439 Connecticut instruments during the two previous  
440 reporting quarters of three hundred thousand  
441 dollars or less OR ANY LICENSEE THAT ENGAGES IN  
442 THE BUSINESS OF RECEIVING MONEY FOR TRANSMITTING  
443 THE SAME WITH AN AVERAGE WEEKLY AMOUNT OF MONEY OR  
444 EQUIVALENT THEREOF TRANSMITTED DURING THE TWO  
445 PREVIOUS REPORTING QUARTERS OF ONE HUNDRED FIFTY  
446 THOUSAND DOLLARS OR LESS; (2) five hundred  
447 thousand dollars for any licensee THAT ENGAGES IN  
448 THE BUSINESS OF ISSUING CONNECTICUT INSTRUMENTS  
449 with an average daily balance of outstanding  
450 Connecticut instruments during the two previous  
451 reporting quarters of greater than three hundred  
452 thousand dollars but less than five hundred  
453 thousand dollars OR ANY LICENSEE THAT ENGAGES IN

454 THE BUSINESS OF RECEIVING MONEY FOR TRANSMITTING  
455 THE SAME WITH AN AVERAGE WEEKLY AMOUNT OF MONEY  
456 EQUIVALENT THEREOF TRANSMITTED DURING THE TWO  
457 PREVIOUS REPORTING QUARTERS OF GREATER THAN ONE  
458 HUNDRED FIFTY THOUSAND DOLLARS BUT LESS THAN TWO  
459 HUNDRED FIFTY THOUSAND DOLLARS; and (3) one  
460 million dollars for any licensee THAT ENGAGES IN  
461 THE BUSINESS OF ISSUING CONNECTICUT INSTRUMENTS  
462 with an average daily balance of outstanding  
463 Connecticut instruments during the two previous  
464 reporting quarters equal to or greater than five  
465 hundred thousand dollars OR ANY LICENSEE THAT  
466 ENGAGES IN THE BUSINESS OF RECEIVING MONEY FOR  
467 TRANSMITTING THE SAME WITH AN AVERAGE WEEKLY  
468 AMOUNT OF MONEY OR EQUIVALENT THEREOF TRANSMITTED  
469 DURING THE TWO PREVIOUS REPORTING QUARTERS OF TWO  
470 HUNDRED FIFTY THOUSAND DOLLARS OR GREATER. The  
471 proceeds of the bond shall constitute a trust fund  
472 for the exclusive benefit of the purchasers and  
473 holders of Connecticut instruments issued by such  
474 licensee.

475 (b) In lieu of all or part of the principal  
476 sum of such corporate surety bonds, applicants for  
477 a license and licensees may invest such sum as  
478 provided in this subsection. The book or market  
479 value, whichever is lower, of such investments  
480 shall be equal to the amount of the bond required  
481 by subsection (a) of this section less the amount  
482 of the bond filed with the commissioner by the  
483 applicant or licensee. Such investments may be:

484 (1) Deposits with such banks as such  
485 applicants or licensees may designate and the  
486 commissioner may approve, and in accordance with  
487 such regulations as the commissioner may adopt; or

488 (2) Interest-bearing bills, notes, bonds,  
489 debentures or other obligations issued or  
490 guaranteed by (A) the United States or any of its  
491 agencies or instrumentalities, or (B) any state,  
492 or any agency, instrumentality, political  
493 subdivision, school district or legally  
494 constituted authority of any state if such  
495 investment is of prime quality.

496 (c) The investments provided for in  
497 subsection (b) of this section shall secure the  
498 same obligation as would a corporate surety bond  
499 filed under this section. As long as a licensee  
500 continues business in the ordinary course, it  
501 shall be permitted to collect interest on such

502 investments and at any time to exchange, examine,  
503 and compare such investments. The investments made  
504 pursuant to this section shall be maintained in  
505 trust for the exclusive benefit of the purchasers  
506 and holders of Connecticut instruments issued by  
507 such licensee.

508 Sec. 7. Section 36a-604 of the general  
509 statutes is repealed and the following is  
510 substituted in lieu thereof:

511 (a) Each licensee which issues Connecticut  
512 instruments which are money orders shall at all  
513 times have a net worth of at least one hundred  
514 thousand dollars.

515 (b) Each licensee which issues Connecticut  
516 instruments which are travelers checks OR  
517 ELECTRONIC PAYMENT INSTRUMENTS shall at all times  
518 have a net worth of at least one million dollars.

519 (c) EACH LICENSEE THAT ENGAGES IN THE  
520 BUSINESS OF RECEIVING MONEY FOR TRANSMITTING THE  
521 SAME SHALL AT ALL TIMES HAVE A NET WORTH OF AT  
522 LEAST FIVE HUNDRED THOUSAND DOLLARS.

523 Sec. 8. (NEW) Each licensee, as defined in  
524 subdivision (4) of section 36a-596 of the general  
525 statutes, as amended by section 3 of this act,  
526 shall comply with the applicable provisions of the  
527 Currency and Foreign Transactions Reporting Act,  
528 31 USC Section 5311 et seq., as from time to time  
529 amended, and any regulations adopted under such  
530 provisions, as from time to time amended.

531 BA COMMITTEE VOTE: YEA 18 NAY 0 JFS C/R FIN  
532 FIN COMMITTEE VOTE: YEA 42 NAY 0 JF

\* \* \* \* \*

"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

\* \* \* \* \*

FISCAL IMPACT STATEMENT - BILL NUMBER sSB 230

STATE IMPACT                      Workload                      Increase,                      Within  
   Anticipated                      Budgetary                      Resources  
   Minimal                      Revenue Gain                      (Banking  
   Fund), see explanation below

MUNICIPAL IMPACT                      None

STATE AGENCY(S)                      Department of Banking

	Current FY	1998-99	1999-2000
State Cost	:	:	:
(savings)	:	:	:
St Revenue	:	:	:
(loss)	:	2,500	:
Net St Cost	:	:	:
(savings)	:	:	:
Municipal	:	:	:
Impact	:	:	:

EXPLANATION OF ESTIMATES:

The bill places electronic payment instruments such as "smart cards" under the banking commissioner's jurisdiction and requires anyone issuing or selling them to be licensed by him. It requires all of these licenses and check cashiers to comply with federal anti-money laundering provisions, thus allowing the commissioner to bring enforcement actions in this area.

There will be a workload increase for the Department of Banking associated with licensing issuers or sellers of electronic payment instruments.

There is a revenue gain for the Banking fund of approximately \$2,500 from investigation fees charged by the Department of Banking. There are about 5 companies that will be licensed and will be required to pay the \$500 investigation fee.

There will also be a workload increase for the Department of Banking associated with monitoring licensees to assure compliance with anti-money laundering provisions.

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#### **OLR BILL ANALYSIS**

sSB 230

#### **AN ACT CONCERNING ELECTRONIC PAYMENT INSTRUMENTS AND CURRENCY AND FOREIGN TRANSACTIONS REPORTING**

**SUMMARY:** This bill places electronic payment instruments, such as "smart cards," under the banking commissioner's jurisdiction and requires anyone issuing or selling them to be licensed by him. It generally applies to them the same application, licensing, net worth, and bonding requirements that apply to money order and travelers check licensees. The bill also adds a separate bonding requirement for money forwarders (businesses that wire transfer money from one location to another) and requires all bonds to be maintained for five years after the company ceases doing business in Connecticut. It requires all of these licensees and check cashers to comply with federal anti-money laundering provisions, thus allowing the commissioner to bring enforcement actions in this area.

EFFECTIVE DATE: October 1, 1998

#### **FURTHER EXPLANATION**

##### **Licensing**

The bill defines an "electronic payment instrument" as a card or other tangible object for the transmission or

payment of money which contains a microprocessor chip, magnetic stripe, or other means of information storage, that is prefunded and for which the value is reduced with each use. These are often known as "smart cards." It excludes electronic payment instruments from the statute's definition of "money order" and specifies that the term "electronic payment instrument" does not include a card or other tangible object redeemable by the issuer in the issuer's goods or services.

The bill makes applicants specify on the application whether they will engage in the electronic payment instrument business, or some combination of it and the money order or travelers check business.

The bill adds a requirement that applicants for a money order, travelers check, or electronic payment instrument license accompany their application with a nonrefundable \$500 investigation fee. The law already requires a \$1,000 license fee (refundable if the application is denied or withdrawn before a license is issued) and an investigation fee, but it does not specify the amount of the investigation fee. In practice, the department has not charged an investigation fee.

### **Outstanding Instruments**

Current law considers a money order or travelers check still outstanding if it is sold in the U.S., a licensee has received a report of it from its agent or subagent, and it has not yet been paid. The bill adds electronic payment instruments to this provision and makes it clear that all three types are still outstanding unless the issuer has paid them.

### **Bond**

**Electronic Payment Instrument Licensees.** The bill includes the new electronic payment instrument licensees in the current bonding requirement that applies to money order and travelers check licensees. The bond must be a corporate surety bond issued by a bonding company or insurance company authorized to do business in Connecticut. The bond must be in a form satisfactory to the commissioner and issued in his favor. The amount of the bond must be based on the average daily balance of outstanding Connecticut

instruments during the two previous reporting quarters. The required bond amounts are:

1. \$300,000 for companies whose average daily balance was \$300,000 or less,
2. \$500,000 for those whose average daily balance was between \$300,000 and \$500,000, and
3. \$1 million for those whose average daily balance was \$500,000 or more.

Alternatively, the law allows them to designate funds equal to the required bond amount in banks approved by the commissioner.

**Money Forwarders.** The bill adds a separate stricter bonding requirement for money forwarders and calculates it in a somewhat different way. The amount of the bond must be based on the average weekly amount transmitted during the two previous reporting quarters. The required bond amounts are:

1. \$300,000 for companies whose average weekly amount was \$150,000 or less,
2. \$500,000 for those whose average weekly amount was between \$150,000 and \$250,000, and
3. \$1 million for those whose average weekly amount was \$250,000 or more.

It also requires that any bond maintained by a money order, travelers check, electronic payment instrument, or money forwarder licensee remain in place for five years after the licensee ceases doing business in the state.

### **Net Worth Requirements**

The bill requires licensees issuing electronic payment instruments to have a net worth of at least \$1 million (the same as travelers check licensees). For money forwarders, the department currently sets the net worth requirement at \$100,000, the same as the statutory minimum for money order licensees. The bill increases this to \$500,000.



**Anti-Money Laundering Provisions**

The bill requires these licensees to comply with the federal Currency and Foreign Transactions Reporting Act and its regulations. These generally require financial institutions and certain other businesses, such as an issuer, seller, or redeemer of travelers checks or money orders, or a licensed money forwarder to, among other things, file a report with the U.S. Treasury Department of any currency exchange or other payment or transfer by, through, or to them involving currency of more than \$10,000. Adding these provisions to state law gives the commissioner jurisdiction to examine whether the covered entities are complying with existing federal currency and transaction reporting requirements and to bring enforcement actions against those that are not.

The bill also requires licensed check cashers to comply with the federal currency reporting law. Check cashers are businesses that are not banks, which are licensed by the state to cash checks for customers (usually those who do not have bank accounts) for a fee.

**COMMITTEE ACTION**

## Banks Committee

Joint Favorable Substitute Change of Reference  
Yea 18      Nay 0

## Finance, Revenue and Bonding Committee

Joint Favorable Report  
Yea 42      Nay 0